



**House State and Local Government Committee  
11 March 2014**

**HB 221 - Opponent Testimony**

*G. Scott McComb – Chairman, President & CEO, Heartland Bank*

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Chairman Blair, Vice Chair Anielski, and Ranking Member Clyde, good afternoon, my name is Scott McComb and I am president and CEO of Heartland Bank, headquartered not far from here in Gahanna, Ohio. We currently have 11 branches and all are within the Central Ohio area with the farthest location from downtown Columbus being in Newark. Heartland Bank has long been known for being a strong community bank and community partner--one in which we know our customers by name, because our team members are an active part of the community they serve. Our bank is like the hundreds of community banks here in Ohio and the thousands across our great nation. We all are in opposition of HB 221.

House Bill 221, jointly sponsored by Reps. Terhar and Heard, would expand credit union powers enabling them to hold public deposits. Credit unions have continually attempted to seek this power, and many others, but the idea has been continually turned down after legislators learned of the mission creep that many credit unions exhibit and no longer adhere to the purpose that earned them tax exempt status in 1934.

The same arguments against this significant policy shift hold true today. Plainly stated, if a business wants the same powers as their direct competition, they should accept the same regulations and taxation as its direct competition.

Congress chartered credit unions in 1934 to serve persons of “modest means” who had a “common bond” such as the local factory, or business trade group. These parameters were very rigid, and in return, credit unions were exempted from federal taxation and the stringent regulations that banks face.

Today, most credit unions have expansive fields of membership and advertise that they are “open to anyone”, “the financial institution for everyone”, or a “better way to bank”, or my favorite “---- credit union is more than a bank, it's a credit union”. Obviously these sprawling entities are community bank wannabees with a federal tax exemption, which is simply unfair. You no longer have to be a firefighter, work for the local factory, or attend a specific church. Times have changed and many credit unions have strayed from their roots and their original purpose. In effect, they have entered into full-service banking.

Several larger credit unions are expanding readily into other areas that have nothing to do with their original mission. One large central Ohio credit union just expanded into an entire county, and another that was for the employees of an air force base in Dayton has pledged to open 4 offices in franklin county, where last I checked, there is no air force base.

The original credit union charter intent was a laudable and a romantic one; that has all changed. Credit unions today are NOT your grandparents' credit unions.

On a national level, less than half of the states currently permit credit unions to be public depositories. Nearly as many states tax, yes TAX, their credit unions like they tax banks and thrifts. Neighboring Indiana only permits those credit unions subject to the same taxation as banks and thrifts to have public deposit authority. The last time the credit unions sought to expand their powers like this, it is estimated the credit unions' tax exemption costs Ohio more than \$20 million per year in lost revenue.

If you think it is a good idea to authorize credit unions to accept public deposits, then it makes sense that they should pay the same taxes and become subject to the same laws and regulations, such as the Community Reinvestment Act, just like the banks and thrifts. Not doing so exaggerates an already unlevel playing field. It will decrease the volume of deposits in tax-paying banks and thrifts, thereby reducing the amount of taxes paid to the state and local government. The credit unions claim local governments are looking for more choices.

According to the Ohio Treasurer's Office there are approximately 200 banks and thrifts permitted to accept public deposits in the state. Furthermore, local governments deposit funds in a state-subsidized competitor called Star Ohio. This program, available through the Ohio Treasurer's Office, was created in the 1980s when banks and thrifts were prohibited from branching across county lines. Though that limitation on branching has long since been repealed, the State's subsidized Star Ohio program takes billions of dollars in deposits out of the local community. That translates into fewer deposits for my institution to lend back out to your constituents in our local community.

The proponent testimony for this bill included a specific situation, Grandview Heights as the municipality and Pathways federal Credit union, and their plight was that they wanted to use a local institution to deposit and they had no local choice due to this limitation on credit unions. For the record, Pathways in Grandview Heights, is a branch of a Columbus based credit union, based at 5665 N. Hamilton Rd. Columbus, Ohio.

Please oppose HB 221. A financial institution should not be allowed to hold the citizens taxes if it does not pay the taxes or operate under the same laws and regulations as other qualifying financial institutions. This bill is not about choice. It is about giving credit unions new, expanded powers to be even more like banks. I argue that the credit unions have outgrown the justification for being tax-subsidized.

This bill is a disservice to the citizens, communities, businesses, and public entities in Ohio that rely on tax-supported services.

I will now answer any questions you may have for me.